

1992

Documentation for ECON 199

Kang Lang Lee

Wright State University - Main Campus

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DOCUMENTATION OF ECON 199

An internship report submitted in partial
fulfillment of the requirements for the degree of
Master of Science in Social and Applied Economics

BY

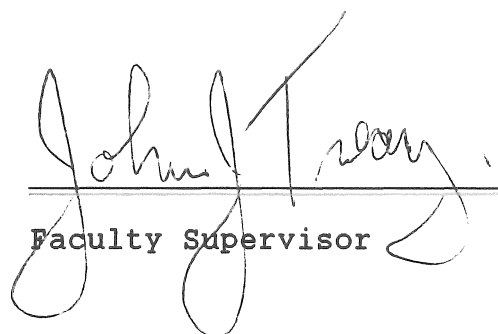
KANG LANG LEE
B.A., Findlay College, 1989

1992
Wright State University


WRIGHT STATE UNIVERSITY
DEPARTMENT OF ECONOMICS

Sept 21, 1992

I HEREBY RECOMMEND THAT THE INTERNSHIP REPORT PREPARED
BY Kang Lang Lee ENTITLED Documentation For ECON 199
BE ACCEPTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF Master Of Science In Social And Applied Economics.



Faculty Supervisor




Director of M.S. Program
in Social and Applied
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ACKNOWLEDGMENTS

I would like to thank my dearest grandparents, parents, uncles (especially to uncle Kok Huat Lee who passed away) and aunts, who have given me this opportunity to pursue higher education in the United States. I would also like to express my appreciation to my professors Ms. Maria Gamba, Dr. John Treacy, Dr. Gyimah-Brempong, Dr. Traynor and my graduate academic advisor Mr. Roger Sylvester for their useful advice and understanding in assisting me to finish this graduate program. Finally, I want to recognize my fiancée, Ava Fan, who has helped and motivated me in the completion of this report. God bless you all. Thanks again.

ABSTRACT

Lee, Kang Lang. M.S., Department of Economics, Wright State University, 1992. An internship Report on Teaching Introduction to Economics.

I undertook this internship to gain practical teaching skills and to deepen my knowledge of economics in preparation for a career teaching college level economics.

This internship report consists of the materials and techniques that I prepared for teaching the two sessions of ECON 199, an introductory undergraduate Economics course, at the University of Findlay, Findlay, Ohio.

My primary objective in teaching these classes was to make economics courses interesting by introducing students to the basic economic concepts, providing them a better picture of how the economy performs, and showing them how to analyze and solve current economic problems.

For the first time of teaching economics at the university, I have presented my preparations and experience in this report. A copy of the course syllabus, quizzes, chapter handouts, in-class work, homework, and exams used in teaching this course are included.

This internship experience was extremely valuable in preparing me for the teaching skills and adding to my depth of economic knowledge. Based on my internship experience I have decided on a career teaching college level economics.

My major conclusion from this teaching experience is that I am a much more effective teacher when requiring my students to complete chapter summaries and in-class work than just giving them a series of straight lectures.

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PART I

INTRODUCTION

My primary objectives were to raise students' economic interest and knowledge, and providing the students an opportunity to practice, organize, and to evaluate their ideas in an appropriate environment.

To most college students, economics is always dry and hard to comprehend. However, no matter what students think, they must take at least one economics course in order to meet college degree requirements. Thus, an important task for me as a new instructor is to present economic topics skillfully to stimulate interest and awareness in the subject for the students' future use and benefit.

A. Description of my Internship.

For my internship, I was given the opportunity to teach several economics courses at the University of Findlay, which is a liberal arts college in Findlay, Ohio. The courses I taught there include Introduction to Economic Thinking, Principles of Macroeconomics, Managerial Economics, and Wage Determination and Collective Bargaining.

Among the classes taught, I chose to write my internship report on my teaching experience in the two sessions of Introduction to Economic Thinking course (ECON 199) which were scheduled in the Spring 1991 and Spring 1992 semesters.

B. My Objectives and Teaching Technique.

As mentioned in the very beginning, my primary objectives were to raise students' economic interest and knowledge, and providing the students opportunity to practice, organize, and to evaluate their ideas in an appropriate environment. In order to accomplish these objectives, I developed my own teaching technique.

My technique is organized into four simple steps. Firstly, I make sure students turn in a one-page summary for each chapter that I lecture. Secondly, before starting a new chapter, a short quiz is given to help students recall the chapter they read. Then, I would lecture and provide as many examples as possible with the aid of other textbook references. Lastly, after completing a chapter, I would conduct in-class work which would cover questions on the quiz and solve for several more problems covered in the chapter.

C. Organization of the paper.

In part II of this paper I describe the course and curriculum at the University of Findlay. In part III, I discuss the rationale developed for the syllabus, handouts, in-class work, homework and exams. In part IV, I discuss the grade distribution, student evaluation of instructor, chairman's evaluation, and self evaluation. In part V, I present my conclusion and recommendations. Finally, all appendices are included in part VI.

PART II

THE COURSE AND CURRICULUM AT THE UNIVERSITY OF FINDLAY

Through this teaching internship, I realized that teaching economics at the introductory level is a difficult but rewarding experience. It required me not only to learn the subject matter well, but more importantly, it drove me to prepare three times harder than an ordinary teacher in order to make sure every students understood my lectures.

A. Course Description and Curriculum.

The Introduction to Economic Thinking course (ECON 199) is primarily designed for college students who are not majoring in business or economics. It also serves as a prerequisite course for many business students who have not taken business or economics courses before. Students are required to learn both introductory macroeconomic and microeconomic issues, and the application of basic economic concepts into several current economic problems.

There were twenty-one students registered for this course in the spring semester of 1991. About 48% of them were nonbusiness students, 29% of them were undecided with major, and 23% of them were business students. This was a morning class and it was scheduled to meet twice a week (Appendix C).

However, there were twenty-eight students registered for this course in spring semester of 1992. About 54% of them were nonbusiness students, 29% of them were undecided with

major, and 17% of them were business students. This was an evening class and it was scheduled to meet once a week (Appendix C).

B. Meeting my Teaching Objectives.

In general, my teaching technique received many good comments from students in both sessions (Appendix A). The first step of my teaching technique was very effective because it really did allow me to evaluate how well the students understood each chapter. The second step forced most students to read each chapter in advance in order to do well on quizzes. During the third and fourth steps I noticed that some students got upset because some thought they knew the material better than the quiz results showed, and that some were pleased because it allowed students to realize their mistake(s) made on quizzes and thus learning the important points of the lectures.

Although I believed my teaching technique is sound, I was really disappointed by some students whom I thought grasped the materials well but did poorly on exams. I realized many students at this level do not like to write essays and work with problem solving questions because they were not used to writing and had difficulty in analyzing quantitative problems.

PART III

COURSE ORGANIZATION

The following discussions are my rationale developed for the syllabus.

- A. Textbook: Basic Economics By James A. Dyal and Nicholas Karatjas.

This textbook was selected by the Division of Business Administration at the University of Findlay for students in this course. The adaption of this textbook was due to the excellent work prepared by the authors in explaining most of the basic economic concepts.

- B. Additional Recommended Reading.

Students were recommended to read articles written in the Wall Street Journal, The U.S. News and World Report, The Economist, Business Week, Time, and Newsweek. I strongly believe that this would allow students to realize the application of basic economic concepts into several current economic problems.

- C. Chapter Summaries, Quizzes, Handouts, In-class Work, Homework, and Exams.

Requiring students to turn in chapter summaries, giving quizzes and providing in-class work to students are a part of my teaching technique mentioned earlier.

The goal of chapter summary is to make sure students read the chapter and be prepared before coming to class. I learned

this method as a student in Dr. Treacy's EC 631 class, Federal Finance and The Economy. From the experience gained in his class, I strongly believe that this method would allow me to evaluate how well the students understood each chapter and to force students to read each chapter in advance.

However, sometimes students could simply turn in a summary and learn nothing from the chapter, and perhaps they might come to class pretending that they had read the chapter. For this reason, adding quizzes into this course become my insurance to make sure students follow my first step in teaching. The quizzes were fill in the blank questions. Some of the questions were straightforward in order to test students' abilities to recognize the definitions, and some required students' understanding of the concepts (Appendix E).

My experience in both undergraduate and graduate studies taught me that sometimes writing a one-page summary without a proper guideline was like a sailor who lost his/her compass while sailing in the middle of an ocean. Thus, I provide students with the chapter handouts in advance so that they had a direction in writing the summaries.

The handouts that I developed were quite different from typical class handouts which contain complete information. Instead, my handouts provided mostly questions which would make students analyze and motivate them to read the chapter in order to look for the complete answers (Appendix F).

Sometimes it is easy for students to say that they understand their teachers' lecture completely in class. However, when working on the assignment at home, students just do not know how to tackle the assigned homework problems. This leaves them in frustration, thus diminish students' interests in learning more about the course. In order to solve this problem, I developed a short in-class work session where my students and I could work together to figure out the problems and questions after each chapter lecture. This concept is similar to homework, except in-class work requires students to complete everything in class.

In fact, in-class work has a positive influence on homework assignment because it gives students the confidence to complete the homework assignment by themselves.

There was one set of homework given to students in the beginning of the semester. It was a comprehensive homework that covered questions from every chapter. However, the homework would not be collected until the end of the semester. This gave students plenty of time to complete this homework and allowed students to review and recall the materials learned in the whole course.

Three exams were given in this course, two mid-term exams and one comprehensive final exam. Each exam usually took a student an hour and a half to complete. Each exam included multiple choice questions, short essays and problem solving questions so that students were tested both objectively and

subjectively. The exam questions were mostly from quizzes, handouts, and in-class work with some minor changes.

IV. RESULTS

I attribute improved class performance for spring semester of 1992 over spring semester of 1991 to the fact that I gained experience and was able to adjust my teaching technique to benefit my students in spring semester of 1992.

As a result of requiring chapter summaries, giving quizzes and conducting in-class work consistently in spring semester of 1992, I realized that students' overall performances had improved tremendously (Appendix C). Students who got B's and A's had increased from 66% to 78%. However, students who got C's had reduced from 17% to 9% and finally, students who got D's and F's had also reduced from 17% to 13%.

Although I received many good compliments from students, I have a feeling that some students have over complimented me. For example, a student of mine evaluated, "It is a shame that Kang will not continue to teach. The teaching profession's loss will be the business world's gain." (Appendix A).

Supporting the many good comments made by my students regarding my teaching abilities is my excellent evaluation by the Chairman of the Division of Business Administration, Dr. Peter Maldonado (Appendix I).

By learning from the mistakes that I made in the spring semester of 1991 had made me to become more knowledgeable serving my students in spring semester of 1992.

Overall, this internship experience had built me a greater confident in teaching many more students in the future.

PART V

CONCLUSION AND RECOMMENDATION

My major conclusion from this teaching experience is that I am a much more effective teacher when requiring my students to complete chapter summaries and in-class work than just giving them a series of straight lectures.

I believe that I have successfully mastered teaching beginning level economics as a result of this internship experience at the University of Findlay. I feel that this experience has provided me a good basic foundation to build upon as I pursue the college teaching profession.

While I feel that I succeeded in performing most of the goals that I established for myself in the beginning of the internship, there has been one concern that needs mentioned. This has to do with working in-class projects with students in spring semester of 1992. A minority group of students seemed unwilling to stay until work was completed. I believe this is mainly because the class was a three-hour class in the evening. Secondly, it could be the reason where some of the evening class instructors allowed students to leave early.

I firmly believe that the instructor's personality is a key element of success in the teaching profession. A good portion of the success of this internship is attributed to my enthusiastic and patient personality.

I recommend that this course to be changed to a four-hour course instead of the current three hours. The additional hour can be used for in-class work projects. This will provide students with an opportunity to perform work while the instructor is present and can provide assistance as questions arise.

Last of all, I would like to quote my opinion to new teachers, "there is no such thing called ceteris paribus in teaching profession. As an instructor, you must always patiently search for new information to improve your quality of teaching. If one day you realize that you have stopped searching for new information to improve your teaching quality, my friend, you're in the diminishing stage. Wake up!"

VI. APPENDICES

APPENDIX A

Student Evaluation Spring 1991

1. Please list all the things you liked about this course.

"I felt that the instructor's handouts he made over the chapters were very helpful and informative. He put a lot of time into this class."

"The instructor did an excellent job presenting the materials. He was very prepared when he came to class. The class was challenging and interesting. I would highly recommend this instructor."

"Just the right amount of reading."

"He put the materials across well for being a first-year teacher. Good job."

"Learned more about the inner workings of the American, as well as the international economic system."

"Kang was quite knowledgeable about economics and know how the economy is in the U.S. and every where. Had good examples that helped me relate to what he was trying to get across."

"Time. The way the instructor presented the materials. The book gave good examples. The instructor showed concern for the individuals."

"It was interesting learning about different countries' economy, eg. Their exports and imports."

"I learned about the economy and how it works."

"I liked Kang's teaching style. Economics was actually new subject to me, but Kang explained it in a manner which was easy to understand. He was always available to students, and truly put forth a lot of effort. This instructor was the best that I have had so far. I hope to have more teachers like Kang, who is enthusiastic."

"Very interesting. I learned a lot about economics and why our country imports and exports, and the way they do. I enjoyed feeling free to ask something to be explained when I did not understand. The handouts were very helpful in understanding what the book stated. They were in more common words to explain. By drawing the graphs and working the tables yourself, they become more meaningful."

"The instructor admitted to have a heavy accent and made sure we were understanding him. Basic courses are usually full of seemingly useless information. In this course the instructor made an effort to show the importance of the subject to our current lives. I found the course both challenging and interesting. The instructor seemed genuine in his concern to make us understand the materials."

"Always prepared. Study guide for exams helped out a lot. Instructor was willing to stay after class when

needed. Instructor always had a great lecture and I have learned a lot from this course."

"I appreciated all the afford of the instructor in making sure we understood not only the materials but his words."

2. Please list any suggestions for improving this course.

"The class should be longer. The class needs to be broken into sections to better cover the material."

"Explain more clearly. More homework to help understand and grade more fairly. Don't do so many of the graphs."

"Improving this course could be hard since there really is no interesting way to teach economics."

"Don't be too particular. Heavy emphasis on focused economic topics is not necessary for basic economics. Lighten up a bit. But overall good job."

"The way he grades was very confusing. Mid term grades were figured in a very unusual way which was not understood by anyone. He could have been giving us lower grades than we deserved, and we would not have known, very hard to understand."

"I don't have any suggestions; there was not anything that I did not like about the course or the instructor's teaching style."

"I believe the instructor should stand more firming his own style of teaching, and in giving the tests. Sometimes it seemed he would let the class talk him into doing what they wanted. This, I feel, comes with experience and I feel very privileged to be in his first class."

"None."

"It is a shame that Kang will not continue to teach. The teaching profession's loss will be the business world's gain."

"Review more for the test. More extra credits."

"Don't start on macroeconomics right away. Start at the front of the book with microeconomics. If you have a problem with a student(s) not doing homework deal with them directly, don't take it out on whole class."

"Review more before tests. Don't just give questions and then don't give answers. Give extra credit. Lighten up."

"I felt intimidated with what he expected of us, like I would not be able to do it (I was able to). But the fear set me back. I feel I could have done better if I had not been so afraid."

Student Evaluations Spring 1992

1. Please list all the things you liked about this course.

"Very good materials."

"Instructor. In-class work every session. Bonus point opportunity."

"I thought Kang Lang Lee was very helpful throughout the course. He gave well organized lectures and explained things very well."

"Extra help. Current grades. Handouts. In-class work."

"I enjoyed learning about the world of economics even though at times it got boring. The instructor did seem to be concerned about everyone's progress in the class and he was very helpful."

"The instructor was concern for my progress in class. Class was fun."

"Class. Friends. The instructor's teaching style."

"The materials which the instructor gives us."

"Lectures and information guides were extremely helpful."

"The teacher is cute and works hard."

"Passing. Class once a week. Longer class period keeps your mind going."

2. Please list any suggestions for improving this course.

"More tests, less chapters."

"I feel that his tests are sometimes not very fair because he asks a lot of questions which contain a lot of information. It is sometimes hard to study and understand all of the information for the tests."

"This course is anything but an introductory course, I think it is possible to lighten the class load a little. Or at least make this class meet 2 times a week."

"Don't make it a night class."

"Meet more than once a week."

"To have more time to discuss in class."

"Recommend another course. Subject matter cannot be made interesting."

"Help to prepare students better for tests. Have office hours."

APPENDIX B

Additional References

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APPENDIX C

Student Final Grade Report

The University of Findlay
 Class List for SP 1991
 ECON199

Title: Intro. to Economic Thinking

Sec: 001

Faculty: Lee, Kang

Grade	Name	SSN	Prog Cl	Maj1	Hours
F 1	Adams, Mary H	175-64-9508	UNDG FR	XUND	3.0
D 2	Brandeberry, Mary K	282-72-2571	UNDG FR	XUND	3.0
C 3	George, Cynthia A	268-68-1675	UNDG SO	CSCI	3.0
A 4	Gossman, Paula J	271-52-6557	UNDG FR	CSCI	3.0
A 5	Habegger, Eric W	291-52-0088	UNDG FR	BUAD	3.0
WD 6	Hathaway, Bradly S	293-72-6243	UNDG FR	XUND	3.0
B 7	Johnston, JR. S	286-58-2059	UNDG FR	XUND	3.0
WD 8	La Warre, Misty A	284-80-1008	UNDG FR	XUND	3.0
C 9	Lewis, Cynthia L	274-76-4498	UNDG FR	CSCI	3.0
WD 10	Martinez, Jeff A	300-66-0211	UNDG FR	CSCI	3.0
A 11	McCormick, Carol J	288-36-7792	UNDG SO	SOCI	3.0
B 12	Meeks, Angela S	289-78-1334	UNDG FR	CSCI	3.0
A 13	Ohler, Janice L	272-66-2496	UNDG SO	CSCI	3.0
A 14	Ramsey, Lisa M	277-82-6431	UNDG FR	BUAD	3.0
C 15	Roderick, Chris L	270-66-6529	UNDG FR	CSCI	3.0
B 16	Scheiman, Suzanne R	281-58-9763	UNDG FR	BUAD	3.0
A 17	Walter, David D	289-72-6489	UNDG FR	CSCI	3.0
B 18	Weiss, Peachue A	268-80-1318	UNDG FR	BUAD	3.0

Sec: 001

Faculty: Lee, Kang

Grade	Name	SSN	Prog Cl	Maj1	Hours
F 19	Wilhelm, Cathy S	271-82-3715	UNDG SO	XUND	3.0
A 20	Yoxtheimer, Cathy S	270-48-1064	UNDG SO	CSCI	3.0
A 21	Zeigler, Kimberly A	297-82-6344	UNDG FR	ACCT	3.0

Table C.1

The Student Final Grade Report

Spring 1991

<u>Letter Grade</u>	<u>Number of students</u>	<u>Percentage Distribution</u>
A	8	44%
B	4	22%
C	3	17%
D	1	6%
F	2	11%
	<u>18</u>	<u>100%</u>

Number of students who Dropped: 3

The University of Findlay
Class List for SP 1992
ECON199

Title: Intro. to Economic Thinking

Sec: 51

Faculty: Lee, Kang

=====						
Grade	Name	ID	Prog	Cl	Maj1	Hours

A 1	Allen, April S	69478	UNDG	FR	XUND	3.0
D 2	Benson, Chris J	83176	UNDG	FR	XUND	3.0
D 3	Boney, Rick T	83593	UNDG	FR	BUAD	3.0
WD 4	Brown, Daniella M	86739	UNDG	SO	SOCI	3.0
A 5	Buskey, Fred C	85966	UNDG	FR	XUND	3.0
WD 6	Chung, Chin Woo	88737	UNDG	IL	XUND	3.0
A 7	Denecker, Greg J	76518	UNDG	SO	SOCI	3.0
B 8	Hadden, Ann M	67589	UNDG	SO	ELED	3.0
A 9	Inniger, Paul S	41172	UNDG	SR	ACCT	3.0
F 10	Joyce, Mark R	47063	UNDG	SR	SOCI	3.0
A 11	Kwok, Yin	88744	UNDG	FR	ACCT	3.0
WD 12	Launder, Laura A	71184	UNDG	JR	ELED	3.0
B 13	Loxterman, Jeffrey	78919	UNDG	JR	XUND	3.0
A 14	Ludt, Debra R	70198	UNDG	SO	EQST	3.0
B 15	Lundie, James E	82080	UNDG	JR	ELED	3.0
A 16	Noblit, Rhonda K	83128	UNDG	FR	EDUC	3.0
B 17	Pellegrini, Kenton	84963	UNDG	JR	BUAD	3.0
A 18	Piyalma, Piyayos	69711	UNDG	IL	CSCI	3.0
WD 19	Posayanond, Korn	85919	UNDG	IL	XUND	3.0
A 20	Rice, Wright D	71467	UNDG	SO	HIST	3.0
C 21	Rust, Shawn	83006	UNDG	FR	EDUC	3.0

Sec: 51

Faculty: Lee, Kang

Grade	Name	ID	Prog	Cl	Maj1	Hours
WD 22	Schafer, Tamara L	82717	UNDG	FR	XUND	3.0
B 23	Stunek, Candice A	79061	UNDG	SO	EQST	3.0
A 24	Tanta, Ora-In	88738	UNDG	FR	BUAD	3.0
A 25	Tsai, Wen-Chieh	88293	UNDG	FR	CSCI	3.0
A 26	Tsai, Wen-Hao	88294	UNDG	FR	XUND	3.0
A 27	Tsai, Wen-Ting	88295	UNDG	FR	CSCI	3.0
C 28	Pelphrey, Julie	68900	UNDG	JR	SOCI	3.0

Table C.2

The Student Final Grade Report

Spring 1992:

<u>Letter Grade</u>	<u>Number of students</u>	<u>Percentage Distribution</u>
A	13	57%
B	5	21%
C	2	9%
D	2	9%
F	1	4%
	<u>23</u>	<u>100%</u>

Number of students dropped: 5

APPENDIX D

Class Syllabus

ECON 199

SPRING 1991-2

Instructor : Kang Lang Lee Office : 303-B Old Main
Office Phone : 424-4632 Office Hours : TBA
Textbook : BASIC ECONOMICS by James A. Dyal & Karatjas,
2nd Ed.
Recommended : The Wall Street Journal, The U.S. News and
World Report, The Economist, Business Week,
Time and Newsweek.

Course Objectives:

1. Introduce students who are first time taking economics, and prepare them for further economics courses.
2. Learn the terms, concepts, and theories of Basic Economics and apply them in current U.S. economy.

Styles of Teaching:

1. Students must turn in a one-page summary before starting a new chapter.
2. A short quiz will be given.
3. Instructor lecture and student participation.
4. In-class work follows at the end of each chapter.

Grading System:

Exam 1	15%	Summaries	10%
Exam 2	15%	Short Quizzes	10%
Final Exam	20%	Participation	5%
Homework	20%	Attendance	5%

Letter Grade:

90% to 100%	A	80% to 89%	B
70% to 79%	C	60% to 69%	D
Below 60%	F		

Course Organization:

- Exam 1 : Chapters 1, 2, 3, 4 and 5.
- Exam 2 : Chapters 8, 9, 10, 11 and 12.
- Final Exam: Comprehensive.

Exam Policy:

No advance or make-up exam unless there is a valid excuse. The only valid excuses are illness and college activities. If you are sick, a doctor's statement will be required. If you are engaged in college activities arrangement must be made prior to the exam. Any student caught cheating will be given a score of zero on the exam.

Homework:

There will be one comprehensive homework due by the last day of this course. Since you have one whole semester to finish this homework, all answers must be typed and complete. Otherwise, no credit will be given.

Short Essays and Quizzes:

You will be asked to write about 10 chapter summaries or more in this course. Turning in summary late will be given a score of zero. However, only the best 8 scores will be used to compute the 10% grade in summary category.

Similarly, you will be asked to take about 10 short quizzes or more in this course. No make-ups will be given. If you miss a quiz, you will automatically receive a score of zero. Again, only the best 8 scores will be used to counted.

Attendance Policy:

You will earn 100 points for perfect attendance. The number of absences are accumulated right from the start of this semester. However, you are entitled to two excused absences throughout the entire semester. Make use of these absences wisely. Absences incurred thereafter for whatever reason will mean a deduction of 10 points per absence.

INSTRUCTOR RESERVES THE RIGHT TO ADJUST THE SYLLABUS IF
NECESSARY

Student Grade Sheet

ECON 199

Name: _____

Exam 1 (15%) : _____ points X 15% = _____

Exam 2 (15%) : _____ points X 15% = _____

Final Exam (20%) : _____ points X 20% = _____

Homework (20%) : _____ points X 20% = _____

Summaries (10%) : _____ points X 10% = _____

Short Quizzes (10%) : _____ points X 10% = _____

Participation (5%) : _____ points X 5% = _____

Attendance (5%) : _____ points X 5% = _____

=====

Letter Grade : ()

Notes:

Summary Scores _____

Short Quizzes _____

Absence Record _____

APPENDIX E

Quizzes

Chapter 1 Introduction To Economics

Fill In The Blanks:

1. Economics is _____
2. _____ is the study of the behavior of the individual decision-makers in the economy.
3. _____ is the study of how the whole economy performs.
4. _____ economics deals with questions of what was, is, and will be. However, _____ economics deals with what ought to be.
5. Unlike efficiency which can be measured using objective criteria, _____ is subjective.
6. The _____ involves the formation of questions about the relationships between different variables and the collection of observations for testing.
7. The _____ states that what is true for one person is necessarily true for everyone. However, the _____ implies that because event B follows event A, event B was caused by event A.
8. An upward sloping curve indicates a(n) _____ relationship between variables. However, a downward sloping curve indicates a(n) _____ relationship between variables.

Chapter 2 Basic Economic Concepts

Fill In The Blanks:

1. Scarcity will always exist because we have _____ wants and _____ economic resources.
2. The four overall economic resources are _____, _____, _____, and _____. They are also known as _____.
3. _____ sometimes is also known as the transformation curve.
4. If the economy failed to employ its resources efficiently, the inefficient production would create an economic problem called _____.
5. _____ model shows the performance of economic activities in an economy as a whole.
6. _____ act as buyers in the product market and sellers in factor market.
7. _____ act as sellers in the product market and buyers in the factor market.
8. _____ refers to the ability of people who successfully run firms to develop new products and better methods of production as well as their willingness to take risks in launching new business ventures.

Chapter 3 Supply & Demand In The Product Market

Fill In The Blanks:

1. A(n) _____ good is a good that we may use easily instead of another product (eg. A submarine sandwich may be purchased instead of a pizza).
2. A(n) _____ good is a product that we tend to buy along with the purchase of another good (eg. Hot dog buns are usually bought with hot dogs).
3. A change in the _____ _____ refers to a movement along a given demand curve. A change in _____ refers to the shift in the demand curve.
4. There are numerous factors other than the price of the product which affect the production decisions of firms. They are called _____ determinants of supply or _____ factors because a change in any one of them will shift the supply curve.
5. _____ of a particular good in the product market is due to fact that households are seeking to buy more than firms have to sell at the current price.
6. When two goods are substitutes, a rise in the price of one will _____ the demand for the other.
7. An increase in demand is illustrated as an _____ shift in the demand curve.
8. Suppose that supply increases by more than the increase in demand. Equilibrium quantity would _____ and equilibrium price would _____.

Chapter 4

Pure Competition

Fill In The Blanks:

1. The long run is defined as the time period in which: (i) all inputs are _____, and (ii) there is _____ and _____ of firms.
2. The total costs of production are broken down into _____ costs and _____ costs.
3. Marginal cost is calculated by dividing the change in total _____ by the change in _____.
4. A firm should produce that level of output at which _____ equals _____.
5. Normal profit is the return necessary to cover the _____ costs of the firm after all the bills are paid.
6. The appearance of _____ profit will induce new firms to enter the market in the _____ - _____ time period.
7. The long-run entry of firms will cause supply to _____, which in turn will drive the market price _____. Price will continue to move until it equals _____.
8. The _____ states that as more units of a _____ inputs (eg. Labor) are combined with a fixed input (eg. Land or capital), eventually the extra output per additional input will fall.

Chapter 5

Pure Monopoly

Fill In The Blanks:

1. There are large number of _____, but only one _____ in pure monopoly market.
2. There is no close substitutes for this product. For this reason, monopolists have the right to charge whatever price is right for them. They are the so-called price _____.
3. The monopolists have no rivals nor direct competitions because _____.
4. The opposite end of the scale from pure monopoly is _____.
5. The difference between monopoly and pure competition is that monopoly results in a _____ price and _____ output than would occur under pure competition.
6. To sell one more unit of output, a pure monopoly must _____ the price on all of the previous units of output.
7. Because the price paid by a customer is also the average revenue received by the firm, the monopoly's _____ curve is also its average revenue curve.
8. The monopoly will not achieve both the allocative and economic efficiencies because _____.

Chapter 8 National Income Accounts/The Business Cycle

Fill In The Blanks:

1. The three major problems with which macroeconomics attempts to deal are _____, _____, and _____.
2. _____ occurs when people who are able and willing to work cannot find employment despite their active search for a job.
3. GNP stands for _____.
4. An idealized business cycle can be divided into 4 phrases: _____, _____, _____, and _____.
5. _____ is defined as a general rise in the prices of goods and services.
6. _____ is used to estimate changes in the prices of goods and services purchased by "typical" consumers.
7. _____ unemployment is not considered to be a problem to the economy since mobility is needed for economic growth.
8. _____ unemployment exists when people are out of work because of a mismatch in the composition of supply and demand conditions in the labor market.

Chapter 9 An Introduction to The Keynesian Model

Fill In The Blanks:

1. The relationship between consumer spending to changes in income is called _____ consumption.
2. The amount of consumer spending that is not related to GNP is called _____ consumption.
3. _____ is the intended expenditure by firms for acquiring new plant and equipment and for building up inventories.
4. _____ gap is the amount by which total demand is greater than full-employment supply.
5. According to the _____ process, income which is spent creates income. When this newly created income is in turn spent, additional income is created.
6. If there is recessionary gap, the government should _____ government purchases.
7. Keynesian economists believed that _____.
8. Classical economists believed that _____.
9. The fraction of additional income that households plan to spend is called _____.
10. _____ gap is where Aggregate Supply is greater than Aggregate Demand.

Chapter 10 The Keynesian Model with Government

Fill In The Blanks:

1. The goal of fiscal policy is to _____.
2. If there is an inflationary gap, the government should _____.
3. A deficit will result when government spending is greater than _____.
4. When the government is added to the Keynesian model, we add a new leakage in the form of _____ and a new injection in the form of _____.
5. The appropriate fiscal policy to reduce a recessionary gap would be to decrease _____ and/or increase _____.
6. An increase in transfers will have the same effect on GNP as a(n) _____ in taxes.
7. By changing the level of government purchases, taxes, or transfers, it would be possible to close recessionary and inflationary gaps by bringing _____ to full-employment GNP.
8. The _____ lag refers to the time policy makers to realize that the economy is either heading downward into a recession or is approaching an inflationary period excess demand.

Chapter 11

Money, Banking and Monetary Policy

Fill In The Blanks:

1. Anything that is commonly accepted in exchange for goods and services and in payment of debt is called _____.
2. Money functions as a medium of exchange when _____.
3. Money functions as a store of value when _____.
4. Barter economies are economies in which _____.
5. The primary goal of commercial banks is _____.
6. Demand deposits are _____.
7. M1 includes _____.
8. The definition of money used most frequently is _____.
9. Currency is composed of _____.
10. The major function of the Federal Reserve bank is to _____.
11. The reserve requirement is _____.
12. List one monetary policy tool that Fed uses to increase or decrease the money supply. _____.
13. An advantage of monetary policy is _____.

Chapter 12 Introduction to Aggregate Supply and Demand Model

Fill In The Blanks:

1. An increase in aggregate demand within the vertical portion of the aggregate supply curve causes _____ inflation.
2. The _____ curve indicates that the quantity of goods demanded decreases in the overall economy as the level of prices increases.
3. The horizontal range of the aggregate supply curve represents the situation in which the economy is experiencing significant _____.
4. When the intermediate range of the aggregate supply curve is reached, a further increase in production reduces _____.
5. _____ inflation normally takes place along the intermediate range of the aggregate supply curve.
6. Cost-push inflation is where _____.
7. Stagflation is where _____.
8. The difference between recession and depression is _____.

APPENDIX F

Chapter Handouts

Chapter 1

Introduction

1. Case #1: Mike, an eight-year old boy, stands in a candy store with only a dollar bill in his pocket. He wants a candy bar that costs 55 cents, but he would also like to buy a comic book that costs 95 cents and a scoop of chocolate ice cream that costs 65 cents. Since Mike has only one dollar, he cannot buy all of these things. What can Mike do in this case?
2. Case #2: At home, Mike's parents, John and Mary are discussing the family budget. Mike needs a pair of new shoes; John needs a new suit; Mary needs a new dress; the family car needs repairing; and they would like to take a trip to visit their relatives in Florida. Since the family income is limited, they cannot do all of these things at the same time. So, what can the family do in this case?
3. Case #3: Thompson recently graduated from the University of Findlay and is lucky enough to have two job offers. The first job offers him a supervisor position in an assembly line, with an annual salary of \$24,000. The other job offers him a similar position, with lower annual salary of \$20,000, but plus a nice company car. Both offers look attractive, but Thompson cannot take both jobs. So, what can Thompson do in this case?

4. Case #4: Read page 3 of your textbook. What are these questions trying to suggest?
5. The following survey was conducted by a professor in his economics class (Veseth 5):

<u>Response</u>	<u>Percentage Responding</u>
"Economics is the study of the production and distribution of goods and services in a world of scarce resources."	1%
"Economics is like business (how to make a buck)."	37%
"Economics is all about inflation and unemployment."	23%
"Economics is a bunch of charts and graphs."	18%
"I really don't know."	15%
"Leave me alone or I'll call a cop."	<u>6%</u>
	<u>100%</u>

In your opinion, what economics is all about?

6. Why study Economics?
7. Why economics is a social science, not a branch of business?
8. There are two divisions of economics, macroeconomics and microeconomics. Discuss.
9. The economic problems can be analyzed through positive and normative economics. Discuss.
10. Efficiency and equity are the two issues that may not be able to achieve simultaneously. Read page 7 of your textbook and discuss the two issues.

11. Tradeoffs and opportunity cost. Discuss and give examples.
12. What is a theory? What is an economic model? How do the economists use economic model to examine the behavior of households and institutions in the economy?
13. Fallacy of composition and post hoc fallacy. Discuss and give examples.
14. In general, tables and graphs are commonly found in newspapers, magazines, weather forecasts, financial, stock market, and medical research reports. They can be learned in a subject called statistics which can be classified into two topics, namely descriptive and inferential statistics. What is descriptive statistics? What is inferential statistics? Discuss.
15. Refer to the graph below to answer the following questions (check the right answer):



- (a) The vertical axis is: Line A ____ Line B ____
- (b) The horizontal axis is: Line A ____ Line B ____
- (c) The X-axis is: Line A ____ Line B ____
- (d) The Y-axis is: Line A ____ Line B ____
- (e) On the graph, mark the point of origin.

- (f) Numbers to the right of the point of origin are negative.
True ____ False ____
- (g) Numbers to the left of the point of origin are positive.
True ____ False ____
- (h) Numbers above the point of origin are positive.
True ____ False ____
- (i) Numbers below the point of origin are negative.
True ____ False ____
- (j) An upward sloping curve indicates a(n) _____ relationship between variables. However, a downward sloping curve indicates a(n) _____ relationship between variables.

Chapter 2 Basic Economic Concepts

1. Economic resources include land, labor, capital, and entrepreneurial ability. Discuss and give examples.
2. What is a production possibilities model? What are the assumptions in this model?
3. Table Explanation: Production Possibilities of
 Capital Good & Food

Products	Production Possibilities				
	A	B	C	D	E

CAPITAL GOODS	0	1	2	3	4
FOOD	10	9	7	4	0

- (a) Present the above data into a graph.
- (b) Discuss the alternatives A, B, C, D, and E.
- (c) Read page 27 of your textbook, what do you about the scarcity and law of increasing costs?
- 4. Discuss unemployment and underemployment.
- 5. Discuss the three important sources of economic growth.
- 6. Read page 36 of your textbook, what do you know about the circular flow model? What are the important characters in this model? What are the types of markets in this model?

Chapter 3 Supply and Demand in Product Market

- 1. In order for a market to exist, we must have consumers who are willing and able to buy, and producers who are willing and able to sell the goods or services. What is a market? Discuss.
- 2. When we discuss the behavior of consumers such as how much they will consume at each price level, it brings us the concept of demand. What is a demand?
- 3. There are three ways to explain the concept of demand. The individual demand schedule, demand curve and demand equation.
 - (a) Individual Demand Schedule: refers to the demand schedule of one particular consumer in the market. The following is a demand schedule of individual A:

Table 1 Individual Demand for Product X

<u>Price (P)</u>	<u>Quantity Demanded (Qd)</u>
\$ 0.20	48
0.40	46
0.60	44
0.80	42
1.00	40
5.00	0

(b) Present the above data into a graph. What kind of relationship exist between price and quantity demanded?

(c) Demand Equation: $y = a + bx$ ---- Linear equation.

For example, $p = 5 + (-0.1) Qd$

Qi) What does the number 5 represent?

Qii) What does the negative sign tell us?

Qiii) What does the -0.1 represent?

4. Complete the following table and describe the difference between individual and market demand curves.

Table 2 Market Demand for Product X

<u>Consumer A</u>		<u>Consumer B</u>		<u>Market Demand</u>	
P	Qd	P	Qd	P	Qd
\$1	50	\$1	55		
2	40	2	45		
3	30	3	35		
4	20	4	25		
5	10	5	15		

5. Describe the use of movement along the demand curve and shift in the demand curve.
 6. List the shift factors or nonprice determinants of demand.
 7. What does the law of demand state?
 8. What is a normal good? Inferior good? Substitute good? Complementary good? Give examples.
 9. Define the meaning of supply.
 10. There are three ways to explain the concept of supply. The individual supply schedule, supply curve and Supply equation.
- (a) Individual Supply Schedule: refers to the supply schedule of one particular producer in the market. The following is a supply schedule of supplier A:

Table 3 Individual Supply for Product X

<u>Price (P)</u>	<u>Quantity Supplied (Qs)</u>
\$ 0.20	0
0.40	20
0.60	40
0.80	60
1.00	80
5.00	480

- (b) Present the above data into a graph. What kind of relationship exist between price and quantity supplied?
- (c) Supply Equation: $y = a + bx$ ----- Linear equation.
 For example, $p = 0.20 + (0.01)Q_s$

Qi) What does the number 0.20 represent?

Qii) What does the positive sign tell us?

Qiii) What does the 0.01 represent?

11. Complete the following table and describe the difference between individual and market supply curves.

Table 4 Market Supply for Product X

<u>Supplier K</u>		<u>Supplier L</u>		<u>Market Supply</u>	
P	Qs	P	Qs	P	Qs
\$1	15	\$1	5		
2	20	2	10		
3	40	3	25		
4	55	4	40		
5	80	5	60		

12. Describe the use of movement along the supply curve and shift in the demand curve.
13. List the shift factors or nonprice determinants of supply.
14. What does the law of supply state?
15. Describe the concept of market equilibrium.
16. Given the Tables 2 and 4, construct a new table for market demand and supply. What is the market equilibrium price and quantity?
17. Define the following terms. Surplus, shortage, price floors and price ceilings.

Chapter 4

Pure Competition

1. Discuss the three time periods.
2. Discuss the law of diminishing returns.
3. Discuss the explicit and implicit costs of a firm.
4. Define the following terms. The economic profit, normal profit, and loss.
 - (a) Let's say given the estimated Total Revenue is \$40,000 and Explicit Costs are \$28,000 and Implicit Costs are \$10,000. Calculate for the Economic Profit/Loss. Would you remain in the business?
 - (b) Let's say the Explicit and Implicit costs remain the same, but the estimated Total Revenue is lower at \$38,000. Calculate for the economic profit/Loss. Would you remain in the business?
 - (c) Again, let's say the Total Costs are the same, but the estimated Total Revenue is even lower at \$30,000. Calculate for the Economic Profit/Loss. Would you remain in the business?
 - (d) Similarly, the Total Costs still remain the same, but the estimated Total Revenue is \$25,000. Would you remain in the business?
5. There are four output market models in general: Pure competition, monopolistic competition, oligopoly and _____. Discuss.
6. List the characteristics of purely competitive market.
If you are a producer in this market, how would the

market and individual demand curves look like?

7. Define the following terms. The average cost, marginal cost, average revenue, marginal revenue and profit maximization rule.
8. Discuss both the short-run and long-run behaviors in pure competitive market structure.

Chapter 5 Pure Monopoly

1. List the characteristics of pure monopoly market structure. If you are a producer in this market, how would the market and individual demand curves look like?
2. Discuss both the short-run and long-run behaviors in pure monopoly market structure.
3. Discuss the profit maximization rule in pure monopoly market structure.
4. Discuss the differences between the pure monopoly and pure competition.

Chapter 8 National Income Accounts/The Business Cycle

1. Describe the difference between macroeconomics and microeconomics. What are the three major problems with which macroeconomics attempts to deal?
2. Define the following terms. The aggregate supply curve and aggregate demand curve.
3. If there is unemployment, the economy will not be able to attain any of the points on the production possibilities

curve. Why? Discuss.

4. What are the major concerns with unemployment?
5. Inflation has dual impacts on the economy. On the one hand, inflation increases our wages and makes the things we own worth more dollars than before. However, at the same time, inflation reduces the real value of our income. Each dollar grows smaller and smaller in terms of the goods and services that can be bought. So, is inflation good or bad? What is inflation?
6. Is it true to say that decisions made today have a profound impact on the future state of the economy? Discuss.
7. In order to study and understand the performance of aggregates in our economy, we must first know how to measure the aggregates. For this reason, we want to study the national income accounting. What is the national income accounting all about?
8. What is Gross National Product (GNP)? Also, discuss the two approaches to measure GNP.
9. Discuss the Limitations of GNP.
10. Discuss the other measures of incomes on page 225 of your textbook.
11. Why it is so important to know how to measure price level of goods and services? What is a price index?
12. Describe the difference between nominal GNP and real GNP.

13. Describe the difference between demand-pull inflation and cost-push inflation.
14. Discuss the four types of unemployment. Why structural unemployment can exist even when there are many jobs available?
15. Define the following terms. Full employment, business cycle, peak, recession, trough and recovery.

Chapter 9 An Introduction to The Keynesian Model

1. Prior to 1929, which economic school of thought was the most popular one? Why?
2. Describe the great depression of late 1929.
3. Between 1929 to 1933, did the full-employment described by classical economists last? Why?
4. Who was John Maynard Keynes? What was Keynes' suggestion about the economy in the late 1929?
5. What are the GNP components of simple Keynesian model? Discuss.
6. Discuss the relationship between induced consumption and disposable income.
7. Define marginal propensity to consume. According to Keynes, the MPC between 0 to 1 is relatively stable. Why?
8. Define marginal propensity to save. According to Keynes, when the marginal propensity to consume plus marginal propensity to save will always equal to one. Why?

9. Discuss autonomous consumption and autonomous savings.
List the determinants of autonomous consumption.
10. Discuss planned investment and unplanned investment.
11. List the conditions for equilibrium GNP.
12. Define inflationary gap and recessionary gap.
13. Discuss the income multiplier process.
14. Discuss supply created its own demand, which is known as Say's law.

Chapter 10 The Keynesian Model with Government

1. Restatement: The classical economists argued that there was a tendency for the economy to achieve equilibrium at full-employment level. They concluded that since the economy was self-correcting, there was essentially no need for government to intervene to promote full-employment. However, Keynes felt that through the government intervention, the economy could improve to a point that is close to full-employment level. What was the new GNP component be in Keynesian model?
2. Define the following terms. Government purchases, taxes, transfers, deficit spending, leakages and injections.
3. Draw and discuss the functions of government in a circular flow diagram.
4. List the conditions for equilibrium GNP.
5. Discuss the goals of fiscal policy.

Chapter 11 Money, Banking and Monetary Policy

1. Discuss the barter economy and the usefulness money.
2. List and discuss the functions of money.
3. Define the meaning of money supply and discuss M1, M2 and L.
4. Discuss the banking system in the United States.
5. Discuss the Federal Reserve Banking System (Fed) of 1913.
6. Define the following terms. Total reserve, required reserve ,excess reserve and money multiplier.
7. List the reasons why the actual increase in money supply is normally less than the potential increase.
8. What is monetary policy all about? List all three major tools that Fed uses to increase or decrease money supply.
9. List all the advantages and disadvantages of monetary tools.
10. Do you think monetary policy is more powerful than fiscal policy? Why?

Chapter 12 Introduction to Aggregate Supply and Demand Model

1. Define aggregate supply and demand.
2. Graph and discuss each segment of the aggregate supply curve.
3. Discuss the difference between depression and recession.
4. Discuss premature inflation and its effect on economy.
5. Graph the situation of demand-pull Inflation and cost-push inflation.

APPENDIX G

In-class Work

Chapter 1

Introduction

Fill In The Blanks:

1. Economics is _____
2. _____ is the study of the behavior of the individual decision-makers in the economy.
3. _____ is the study of how the whole economy performs.
4. _____ economics deals with questions of what was, is, and will be. However, _____ economics deals with what ought to be.
5. Unlike efficiency which can be measured using objective criteria, _____ is subjective.
6. The _____ involves the formation of questions about the relationships between different variables and the collection of observations for testing.
7. The _____ states that what is true for one person is necessarily true for everyone. However, the _____ implies that because event B follows event A, event B was caused by event A.
8. An upward sloping curve indicates a(n) _____ relationship between variables. However, a downward sloping curve indicates a(n) _____ relationship between variables.

9. Economists build _____ to represent reality.
10. Economics is not a branch of business, it is a _____
11. Since economic resources are _____, choices must be made as to how they should be used.
12. To achieve _____, a firm will use the least costly means of production.
13. _____ refers to fairness.
14. Because the most efficient allocation of resources may not result in a distribution of income that is deemed fair by society, there are _____ between efficiency and equity.
15. A _____ is a general statement of principles explaining phenomena.
16. The ultimate goal of the economy is to maximize the satisfaction of unlimited _____.
17. The allocation of scarce resources among alternative uses involves a tradeoff called a(n) _____ cost.
18. An example of positive economics: _____

19. An example of normative economics: _____

20. An example of the fallacy of composition: _____

21. An example of the post hoc fallacy: _____

Chapter 2 Basic Economic Concepts

Fill In The Blanks:

1. Scarcity will always exist because we have _____ wants and _____ economic resources.
2. The four overall economic resources are _____, _____, _____, and _____. They are also known as _____.
3. An increase in the stock of capital goods is called _____.
4. The _____ market refers to the market for goods and services produced while the _____ refers to the market for economic resources.
5. _____ represents all possible combinations of _____ goods that an economy can produce given the following 4 assumptions:
 - a. _____
 - b. _____
 - c. _____
 - d. _____
6. _____ sometimes is also known as the transformation curve.
7. If the economy failed to employ its resources efficiently, the inefficient production would create an economic problem called _____.
8. _____ model shows the performance of economic activities in an economy as a whole.

9. _____ act as buyers in the product market and sellers in factor market.
10. _____ act as sellers in the product market and buyers in the factor market.

Multiple Choice:

1. An increase in labor will generally
- a. shift the PP curve inward towards the origin.
 - b. shift the PP curve outward from the origin.
 - c. have no effect on the original PP curve.
 - d. force a movement along a given PP curve.

2. Given:

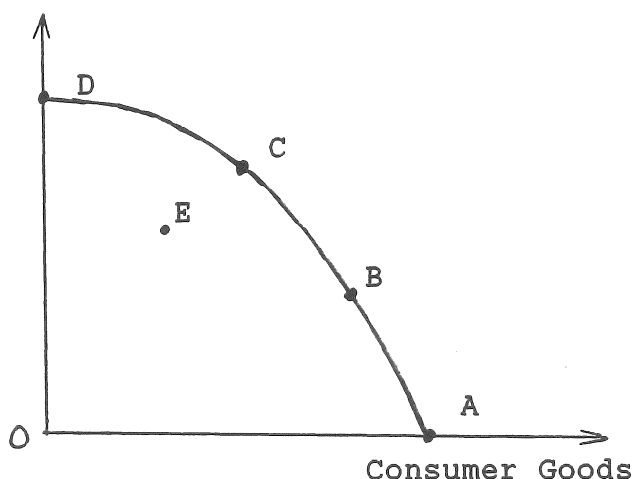
Clothing	Food
100	0
75	30
50	45
25	55
0	60

The opportunity cost of increasing the production of clothing from 25 units to 50 units is _____ units of food.

- a. 0
- b. 5
- c. 10
- d. 15
- e. 20

3. Given:

Capital Goods



Which move represents the greatest amount of investment?

- a. the move from B to C.
- b. the move from E to B.
- c. the move from E to C.
- d. the move from C to B.

4. Which of the following is not an economic resources?

- a. labor.
- b. capital.
- c. natural resources.
- d. money.
- e. choices B and C.

5. Given: Public Goods Private Goods

75	0
60	30
45	50
30	65
15	75
0	80

If the economy were producing 30 units of public goods and 50 units of private goods, then

- a. it is experiencing unemployment.
- b. technology must have improved, enabling this country to produce more than before.
- c. this country must have suffered a decrease in the amount of resources available.
- d. choices A and C are correct.

Chapter 3 Supply & Demand In The Product Market

Fill In The Blanks:

1. A(n) _____ good is a good that we may use easily instead of another product (ie. A submarine sandwich may be purchased instead of a pizza).
2. A(n) _____ good is a product that we tend to buy along with the purchase of another good (ie. Hot dog buns are usually bought with hot dogs).
3. A change in the _____ _____ refers to a movement along a given demand curve. A change in _____ refers to shift in the demand curve.
4. There are numerous factors other than the price of the product which affect the production decisions of firms. They are called _____ determinants of supply or _____ factors because a change in any one of them will shift the supply curve.

5. _____ of a particular good in the product market is due to fact that households are seeking to buy more than firms have to sell at the current price.
6. When two goods are substitutes, a rise in the price of one will _____ the demand for the other.
7. An increase in demand is illustrated as an _____ shift in the demand curve.
8. Suppose that supply increases by more than the increase in demand. Equilibrium quantity would _____ and equilibrium price would _____.
9. An increase in supply creates an economic problem of _____, whereas an increase in demand creates an economic problem of _____ at the original equilibrium price.

Multiple Choice:

1. Which one of the following would not tend to increase the demand for cars?
 - a. an increase in income
 - b. a decrease in the price of cars
 - c. a decrease in the price of gasoline and car insurance
 - d. an increase in population
 - e. none of the above because they would all tend to increase the demand for cars

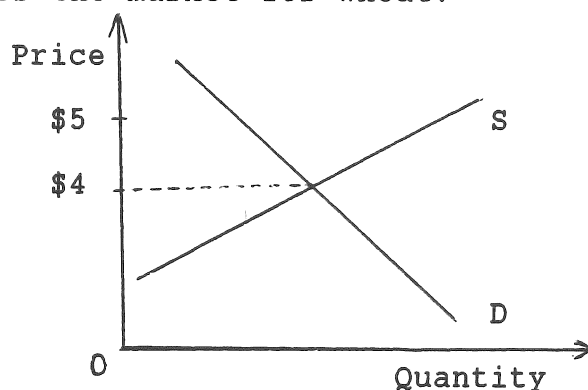
The next three questions refer to the following table, which represents the competitive market for wheat.

<u>Price</u>	<u>Quantity Demanded</u>	<u>Quantity Supplied</u>
\$ 3	800	700
4	740	740
5	700	750
6	675	770
7	650	785

2. If the actual price were \$5, then there would be a
 - a. shortage of 50 units
 - b. surplus of 50 units
 - c. shortage of 40 units
 - d. surplus of 40 units
 - e. none of the above
3. If the actual price were \$3, the decision maker that would be dissatisfied is the _____ because there is a _____.
 - a. firm/ surplus
 - b. firm/ shortage
 - c. household/ shortage
 - d. household/ surplus
 - e. none of the above
4. Suppose that the actual price of wheat were \$3. If the actual price of wheat were to move to the equilibrium level, then the quantity demanded would
 - a. increase by 40
 - b. increase by 60
 - c. decrease by 40
 - d. decrease by 60
 - e. none of the above

5. Given an increase in supply and a decrease in demand, the resulting impact on equilibrium price (P) and quantity (Q) would be to
- a. decrease P and decrease Q
 - b. decrease P and increase Q
 - c. decrease P and the effect on Q is uncertain
 - d. decrease Q and increase P
 - e. decrease Q and the impact on P is uncertain
6. A movement up along a supply curve represents a(n)
- a. increase in supply
 - b. decrease in supply
 - c. increase in the quantity supplied
 - d. decrease in the quantity supplied
 - e. none of the above

The next two questions refer to the following graph, which illustrates the market for wheat:



7. Suppose that the government were to set the price of wheat at \$5. This institutional price is called a
- a. price floor
 - b. price ceiling
 - c. table price
 - d. both A and C

8. This institutional price of \$5 creates a
- a. surplus
 - b. shortage
 - c. decrease in demand
 - d. both A and C
 - e. both B and C

Chapter 4 Pure Competition

Fill In The Blanks:

1. The long run is defined as the time period in which: (i) all inputs are _____, and (ii) there is _____ and _____ of firms.
2. The total costs of production are broken down into _____ costs and _____ costs.
3. Marginal cost is calculated by dividing the change in total _____ by the change in _____.
4. A firm should produce that level of output at which _____ equals _____.
5. Normal profit is the return necessary to cover the _____ costs of the firm after all the bills are paid.
6. The appearance of _____ profit will induce new firms to enter the market in the _____ - _____ time period.

7. The long-run entry of firms will cause supply to _____, which in turn will drive the market price _____. Price will continue to move until it equals _____.
8. The _____ states that as more units of a _____ inputs (ie. Labor) are combined with a fixed input (ie. Land or capital), eventually the extra output per additional input will fall.

Problems:

1. Given the following cost information for Joe's Pizzeria in 1989:

Explicit Costs:		Implicit Costs:	
Labor	\$50,000	Work Time	\$30,000
Supplies	20,000	Land	3,000
		Building	15,000
		Equipment	2,000

- (a) If Joe were to sell 20,000 pizzas at \$6 each, what is the amount of normal profit? Is Joe making any economic profit? Describe the difference between the two concepts of profit.
- (b) If Joe had sold the 20,000 pizzas at a price of \$5 each, would he be making an economic profit, breaking even, or taking an economic loss? Why?
- (c) If Joe were to sell his business, how much would he receive for his resources?

2. The following table represents the short-run cost schedule of a firm making frames:

<u>Quantity</u>	<u>Total Costs</u>
0	\$ 55
1	85
2	105
3	180
4	300

- (a) What is the average cost of producing three picture frames?
- (b) What is the marginal cost of producing the third picture frame?
3. The following table represents Bert's cost and revenue schedule as he expands the production of hiking boots:

<u>Q</u>	<u>P, AR</u>	<u>AC</u>	<u>TR</u>	<u>TC</u>	<u>PROFIT/LOSS</u>	<u>MR</u>	<u>MC</u>
0	--	--	\$0	\$70		--	--
1	\$36		36	95			
2			72	116			
3			108	144			
4			144	180			
5			180	225			
6			216	276			
7			252	336			

- (a) How much total profit or loss would Bert receive if he produced five pairs of hiking boots?

- (b) What would happen to the profit or loss if Bert were to expand the production of hiking boots from five to six pairs?
 - (c) Using the $MR = MC$ rule, calculate how many pairs of boots Bert should produce in the short-run. Explain your reasoning.
4. The following figure represents the purely competitive market for potato chips in the short-run. Using this graph to illustrate your explanation, describe the long-run pricing and output behavior of this industry.

Chapter 5

Pure Monopoly

Fill In The Blanks:

1. There are large number of _____, but only one _____ in pure monopoly market.
2. There is no close substitutes for this product. For this reason, monopolists have the right to charge whatever price is right for them. They are the so-called price _____.
3. The monopolists have no rivals nor direct competitions because _____.
4. The opposite end of the scale from pure monopoly is _____.
5. The difference between monopoly and pure competition is that monopoly results in a _____ price and _____ output than would occur under pure competition.

6. To sell one more unit of output, a pure monopoly must _____ the price on all of the previous units of output.
7. Because the price paid by a customer is also the average revenue received by the firm, the monopoly's _____ curve is also its average revenue curve.
8. The monopoly will not achieve both the allocative and economic efficiencies because _____.

Multiple Choice:

1. Pure monopoly is characterized by all of the following except:
 - a. a single firm
 - b. a unique product
 - c. complete barriers to entry
 - d. interdependence in pricing
2. The average revenue of a pure monopoly is equal to
 - a. marginal revenue
 - b. price
 - c. the change in total revenue divided by the change in output.
 - d. marginal cost

The next three questions refer to the following table, which represents the demand and total cost schedules of a pure monopoly.

<u>Q</u>	<u>P</u>	<u>TR</u>	<u>TC</u>	<u>PROFIT/LOSS</u>
0	\$ 40		\$ 20	
1	39		30	
2	38		50	
3	37		85	
4	36		125	
5	35		175	
6	34		275	

3. This firm will maximize total profit if it produces
 - a. 0
 - b. 2
 - c. 3
 - d. 4
 - e. 5
4. At the profit-maximizing output level, the monopolist will charge a price of
 - a. \$34
 - b. \$35
 - c. \$36
 - d. \$37
 - e. \$38
5. The maximum profit this firm can earn is
 - a. \$0
 - b. \$9
 - c. \$26
 - d. \$111

2. _____ occurs when people who are able and willing to work cannot find employment despite their active search for a job.
3. GNP stands for _____.
4. An idealized business cycle can be divided into 4 phrases: _____, _____, _____, and _____.
5. _____ is defined as a general rise in the prices of goods and services.
6. _____ is used to estimate changes in the prices of goods and services purchased by "typical" consumers.
7. _____ unemployment is not considered to be a problem to the economy since mobility is needed for economic growth.
8. _____ unemployment exists when people are out of work because of a mismatch in the composition of supply and demand conditions in the labor market.
9. _____ is the market value of all final goods and services produced in the economy in a given period of time.
10. GNP excludes _____ and _____ transactions.
11. _____ involves the study of aggregate demand and aggregate supply.

12. When economists refer to full employment, they mean _____.
_____.
13. The Consumer Price Index (CPI) for the _____ year is always 100%.
14. Real GNP is _____.
_____.
15. Nominal GNP is _____.
_____.

Chapter 9 An Introduction to The Keynesian Model

Fill In The Blanks:

1. The relationship between consumer spending to changes in income is called _____ consumption.
2. The amount of consumer spending that is not related to GNP is called _____ consumption.
3. _____ is the intended expenditure by firms for acquiring new plant and equipment and for building up inventories.
4. _____ gap is the amount by which total demand is greater than full-employment supply.
5. According to the _____ process, income which is spent creates income. When this newly created income is in turn spent, additional income is created.
6. If there is recessionary gap, the government should _____ government purchases.

7. Keynesian economists believed that _____
_____.
8. Classical economists believed that _____
_____.
9. The fraction of additional income that households plan to spend is called _____.
10. _____ gap is where Aggregate Supply is greater than Aggregate Demand.

Multiple Choice:

1. Given the Keynesian model (without government):

GNP	C	S	Ip	C + Ip
6,000	6,000	0	125	6,125
6,100	6,075	25	125	6,200
6,200	6,150	?	125	6,275
6,300	6,225	75	125	6,350
6,400	6,300	100	125	6,425
6,500	6,375	125	125	6,500

- (a) The Marginal Propensity to Consume is

- | | |
|----------|----------|
| a. 0.025 | b. 0.075 |
| c. 0.75 | d. 0.25 |
| e. 75 | |

- (b) The Marginal Propensity to Save is

- | | |
|----------|----------|
| a. 0.025 | b. 0.075 |
| c. 0.75 | d. 0.25 |
| e. 75 | |

- (c) Suppose the actual GNP is \$6,300. The amount of unplanned investment is
- a. +\$ 50
 - b. +\$ 75
 - c. +\$125
 - d. -\$ 50
 - e. -\$ 75
- (d) The equilibrium level of GNP is
- a. \$6,100
 - b. \$6,200
 - c. \$6,300
 - d. \$6,400
 - e. \$6,500
- (e) If autonomous investment decreased by \$50 billion, then the new equilibrium level of GNP would be
- a. \$6,000
 - b. \$6,200
 - c. \$6,300
 - d. \$6,600
 - e. none of the above
2. Assume that there is an increase in autonomous investment by \$100 billion, and the Marginal Propensity to Consume is $1/2$. By how much will equilibrium GNP increase after the third round?
- a. \$ 75
 - b. \$100
 - c. \$150
 - d. \$175
 - e. \$200
3. Induced consumption is the relationship between consumption and
- a. income
 - b. psychological drives
 - c. consumer expectations
 - d. social pressure
 - e. choices B, C, and D are correct

7. If the MPC increases, the MPS _____ and the income multiplier _____.
- a. increases, decreases b. decreases, increases
c. decreases, decreases d. increases, increases
8. The recessionary is the
- a. amount by which total demand falls short of full-employment GNP.
b. amount by which AD exceeds full-employment supply.
c. difference between equilibrium GNP and full-employment GNP.
d. difference between AD and AS at equilibrium.
9. The inflationary is the
- a. amount by which total demand falls short of full-employment GNP.
b. amount by which AD exceeds full-employment supply.
c. difference between equilibrium GNP and full-employment GNP.
d. difference between AD and AS at equilibrium.
10. The income gap is the
- a. amount by which total demand falls short of full-employment GNP.
b. amount by which AD exceeds full-employment supply.
c. difference between equilibrium GNP and full-employment GNP.
d. difference between AD and AS at equilibrium.

11. Given the Keynesian model (without G):

GNP	C	S	Ip	C + Ip
7,200	7,150	50	100	7,250
7,300	7,225	75	100	7,325
7,400	7,300	100	100	7,400
7,500	7,375	125	100	7,475

(a) Assume that full-employment GNP is \$7,500. There is a(n) _____ gap of \$ _____.

- a. inflationary25
- b. inflationary50
- c. recessionary25
- d. recessionary50

(b) Assume that full-employment GNP is \$7,500. There is an income gap of

- a. \$ 25
- b. 75
- c. 100
- d. 175

(c) If autonomous investment increased by \$25, then the new equilibrium level of GNP would be

- a. \$7,200
- b. 7,300
- c. 7,400
- d. 7,500

Chapter 10 The Keynesian Model with Government

Fill The Blanks:

- The goal of fiscal policy is to _____.
- If there is an inflationary gap, the government should _____.

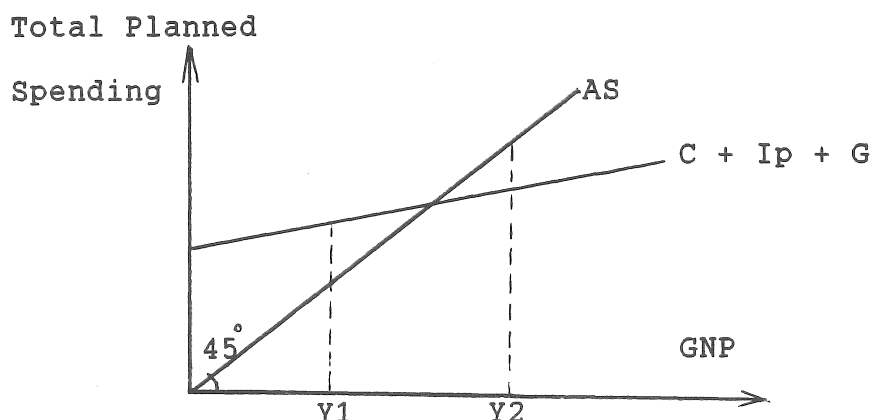
3. A deficit will result when government spending is greater than _____.
4. When the government is added to the Keynesian model, we add a new leakage in the form of _____ and a new injection in the form of _____.
5. The appropriate fiscal policy to reduce a recessionary gap would be to decrease _____ and/or increase _____.
6. An increase in transfers will have the same effect on GNP as a(n) _____ in taxes.
7. By changing the level of government purchases, taxes, or transfers, it would be possible to close recessionary and inflationary gaps by bringing _____ to full-employment GNP.
8. The _____ lag refers to the time policy-makers to realize that the economy is either heading downward into a recession or is approaching an inflationary period excess demand.

Multiple Choice:

1. Suppose that there is a recessionary gap of \$15. Given a MPC of $\frac{3}{4}$, the government could eliminate this gap by
 - a. increasing taxes by \$15
 - b. increasing taxes by \$20
 - c. decreasing taxes by \$15
 - d. decreasing taxes by \$20

2. A \$1 increase in taxes will _____ GNP by _____ in government purchases.
 - a. increase more than a \$1 increase
 - b. increase less than a \$1 decrease
 - c. decrease more than a \$1 increase
 - d. decrease less than a \$1 decrease
3. If government adhered strictly to the notion of an annually balanced budget, then during a recession
 - a. government transfers would have to be reduced and/or tax rates increased
 - b. government transfers would have to be increased and/or tax rates decreased
 - c. both government transfers and tax rates would have to be increased
 - d. both government transfers and tax rates would have to be decreased
4. According to the Keynesian model, discretionary fiscal policy will stabilize the economy most when
 - a. budget deficits are continuously incurred
 - b. budget surpluses are continuously incurred
 - c. deficits are incurred during periods of demand-pull inflation and surpluses during periods of cyclical unemployment
 - d. the budget is balanced each year
 - e. none of the above

7. Given the Keynesian diagram with government:



- (a) If the full-employment level of GNP is Y2, then there is
- an inflationary gap
 - a recessionary gap
 - structural unemployment
 - none of the above
- (b) If the full-employment level of GNP is Y1, then it would be appropriate for government to use fiscal policy to
- increase government purchases and decrease net taxes
 - increase government purchases and increase net taxes
 - decrease government purchases and decrease net taxes
 - decrease government purchases and increase net taxes
- (c) If the full-employment level of GNP is Y1, then there is
- an inflationary gap
 - a recessionary gap
 - structural unemployment
 - none of the above

Chapter 11 Money, Banking and Monetary Policy

Fill In The Blanks:

1. Anything that is commonly accepted in exchange for goods and services and in payment of debt is called _____.
2. Money functions as a medium of exchange when _____.
3. Money functions as a store of value when _____.
4. Barter economies are economies in which _____.
5. The primary goal of commercial banks is _____.
6. Demand deposits are _____.
7. M1 includes _____.
8. The definition of money used most frequently is _____.
9. Currency is composed of _____.
10. The major function of the Federal Reserve bank is to _____.
11. The reserve requirement is _____.
12. List one monetary policy tool that Fed uses to increase or decrease the money supply. _____.
13. An advantage of monetary policy is _____.
14. The money multiplier is _____.

15. If the reserve requirement is 20 percent, the money multiplier is _____.
16. If the banking system has \$40,000 in demand deposits and the reserve requirement is 20 percent, the overall money supply can potentially expand by _____.
17. In order for the money supply to increase by its maximum potential, banks must _____.
18. If the Fed wants to eliminate an inflationary gap, Fed would _____.
19. The discount rate is _____.
20. Suppose that the Fed were to decrease the reserve requirement ratio, what would happen to the interest rate? _____.
21. Assume that Company X deposits \$100,000 (in currency) in bank A. Given a reserve requirement of 20 percent, this deposit would enable bank A to increase the money supply by a maximum of _____.
22. If you deposit \$50 in bank A which has a 10 percent reserve requirement, what will the additional excess reserves be for bank A? _____.

Chapter 12 Introduction to Aggregate Supply and Demand Model

Fill In The Blanks:

1. An increase in aggregate demand within the vertical portion of the aggregate supply curve causes _____ inflation.
2. The _____ curve indicates that the quantity of goods demanded decreases in the overall economy as the level of prices increases.
3. The horizontal range of the aggregate supply curve represents the situation in which the economy is experiencing significant _____.
4. When the intermediate range of the aggregate supply curve is reached, a further increase in production reduces _____.
5. _____ inflation normally takes place along the intermediate range of the aggregate supply curve.
6. Cost-push inflation is where _____
_____.
7. Stagflation is where _____
_____.
8. The difference between recession and depression is _____
_____.

APPENDIX H

Homework

ECON 199

Instruction: Since you have one whole semester to finish this homework, all answers must be typed and complete. Otherwise, no credit will be given.

1. Answer the following in detail:
 - a. What economics is all about?
 - b. Why study Economics?
 - c. Why economics is a social science, not a branch of business?
2. The article on page 9 listed five reasons why the study of economics is important. Of the five reasons, which one is the most relevant to you? In your own words and understanding, explain, in detail, why.
3. By devoting more of her resources to agriculture, the US could produce more of her food at home.
 - a. What would be the opportunity cost(s) of pursuing this policy? In your own words and understanding, explain, in detail, why.
 - b. What is meant by the opportunity cost? Give one example.
4. Gilbert graduated from the Univ. of Findlay, and received a job offer with an annual income of \$24,000. However, Gilbert rejected the offer because he wanted to attend

graduate school in Economics. The tuition fees for graduate studies are \$5,000 per school year and living expenses are about \$6,000 per year. The graduate studies usually take two years to complete. What is the total cost for Gilbert to continue his education to graduate school? What is the opportunity cost for Gilbert to continue his education to graduate school?

5. Distinguish between the following economic concepts:
 - a. macroeconomics and microeconomics
 - b. positive and normative economics
 - c. efficiency and equity
6. Briefly discuss the two common traps in economic thinking.
7. What are the factors of production? What is the money income earned by each of them called? Explain detail.
8. Using the PP model to describe the relationship between savings and investment. How do changes in savings and investment affect present satisfaction versus future satisfaction? Why? Explain in detail.
9. Describe the impact of innovation on the production of consumer goods (assuming no change in the method of producing capital goods), using the PP model to explain your answer. If the economy were to remain at a point that is on the original PP curve, what economic problem(s) would be created? Why? Explain in detail.

10. Draw the circular flow diagram. Describe how firms and households interact in both markets in detail.
11. Answer the problems (questions 1,2,3,4) on page 48 of your textbook.
12. Create a production possibilities model in order to explain the "scarcity and law of increasing costs".
13. Describe the difference between a change in the quantity demanded and a change in demand. List the factors that will cause such changes.
14. How will an increase in the price of gasoline affect the demand for gasoline? How will the demand for large and small cars be affected by this increase in the price of gasoline? Use a graph to illustrate your answers.
15. Answer the problems (questions 1, 2, 3, 4, 5, 6) on page 79-80 of your textbook.
16. Answer the problems (questions 1, 2, 3, 4) on page 117-8 of your textbook.
17. Answer all the problems (questions 1, 2, 3, 4) on page 143-4 of your textbook.
18. What are the three major problems with which macroeconomics attempts to deal? Discuss in detail.
19. Discuss the following in detail:
 - (a) Describe the two approaches for measuring GNP.
 - (b) Differentiate between the nominal GNP and real GNP.
 - (c) Knowing the level of disposable income is important for firms, government, and households. Why?

20. Explain in detail why GNP is not a "perfect" measure of the market value of final goods and services produced. Also, explain in detail why GNP is not considered a good measure of well-being.
21. Differentiate between the four types of unemployment.
22. Draw and discuss the phases of the business cycle.
23. Discuss in detail, in your own words, the basic idea behind the classical economics and Keynesian revolution.
24. Assume a simple Keynesian model without government, discuss all the details with your own diagrams:
 - (a) when the actual/current GNP = equilibrium GNP
 - (b) when the actual/current GNP > equilibrium GNP
 - (c) when the actual/current GNP < equilibrium GNP
25. Assume that there is an increase in autonomous investment by \$100 billion, and the MPC is $1/2$. By how much will equilibrium GNP increase after:
 - (a) the second round
 - (b) the third round
 - (c) the fourth round
 - (d) the final round
26. Answer the problems (questions 1,2,3,4,5) on page 259.
27. Explain why a \$1 billion decrease in taxes will not have the same impact on equilibrium GNP as a \$1 billion increase in government purchases.

28. How would each of the following affect equilibrium GNP:
- (a) decrease in taxes
 - (b) decrease in government purchases
 - (c) simultaneous increase in taxes and transfers by the same amount.
29. Describe the three functions of money in detail.
30. Explain how the money multiplier works. Why does a \$1 change in initial excess reserves lead to an even greater change in the money supply in the overall banking system?
31. Describe how each of the following would change the money supply:
- (a) an increase in the discount rate
 - (b) an increase in the reserve requirement
 - (c) the Fed's sale of U.S. securities in the open market
32. Outline the advantages and disadvantages of monetary policy.
33. Answer the problems (questions 1,2,3,4) on page 316.
34. Draw a diagram and describe in detail the horizontal, intermediate, and vertical ranges of the aggregate supply curve.
35. Read the article given on page 345 carefully and turn a two-page discussion in your own words with all the knowledge learned in this course.

APPENDIX I

Examinations

Exam 1

Name: _____

I. Multiple Choice (1 point each):

Instruction: Circle the correct answer for each multiple choice question.

1. The concept of opportunity cost
 - a. suggests that unlimited wants can be fulfilled.
 - b. is irrelevant if the production possibilities curve shifts to the right.
 - c. demonstrates that the use of inputs in any particular line of the production means that alternative outputs must be forgone.
 - d. none of the above.
2. A decrease in labor will
 - a. shift the production possibilities curve inward.
 - b. shift the production possibilities curve outward.
 - c. have no effect on the production possibilities curve.
 - d. force a movement along a given production possibilities curve.

3. Which of the following example(s) is/are considered the economic problem(s):
- a. a consumer deciding whether or not to cut the food budget and save money for a vacation.
 - b. a college student with two exams on the same day trying to figure out how much study time to put on each one.
 - c. a local government deciding whether or not to improve its court system at the expense of education.
 - d. only a and c are correct.
 - e. all of the above.
4. If the economy can produce more industrial products without any reduction in the amount of consumer goods produced, that means the
- a. production possibilities curve is not a straight line.
 - b. marginal rate of transformation does not diminishing.
 - c. economy must be operating under its production possibilities curve.
 - d. none of the above.

The next two questions refer to the following table, which illustrates the production possibilities of an economy.

<u>Public Goods</u>	<u>Private Goods</u>
75	0
60	30
45	50
30	65
15	75
0	80

5. If the economy were producing 40 units of public goods and 50 units of private goods,
- it is using its resources to their fullest extent.
 - this country must have suffered a decrease in the amount of resources available.
 - technology must have improved, which enables this country to produce more of both goods.
 - it is experiencing unemployment.
6. The opportunity cost of increasing the production of public goods from 15 to 45 units is _____ units of private goods.
- 10
 - 15
 - 25
 - 50
 - 65

7. Suppose that the combination of goods produced by an economy is located on its production possibilities curve. Now assume that the economy experiences innovation in the production of both goods. If there is no change in total spending, there will be a(n) _____ in economic growth potential and _____ will appear.
- a. increase, inflation b. decrease, inflation
 - c. increase, unemployment d. decrease, unemployment
8. A country which invests more in the capital goods today
- a. is saving more in the consumer goods today.
 - b. will be able to produce more capital and consumer goods tomorrow.
 - c. both a and b are correct.
 - d. none of the above are correct.
9. If the price of tennis rackets increases, the
- a. quantity demanded for tennis rackets will decrease.
 - b. demand for tennis balls will decrease.
 - c. both a and b are correct.
 - d. none of the above are correct.
10. Demand for normal good will decrease if
- a. income increases.
 - b. income decreases.
 - c. the price of this good decreases.
 - d. both b and c are correct.

11. Which of the following combination is an example of substitute goods?
- a. coffee and tea.
 - b. hot dog rolls and hot dogs.
 - c. ballpoint pens and Diet Coke.
 - d. Big Macs and Pizzas.
12. Which of the following combinations is an example of complementary goods?
- a. camera and films.
 - b. computer and printer.
 - c. Golf club and golf balls.
 - d. all of the above are correct.
13. The law of supply states that
- a. if the price of a good falls, the supply for that good will decrease.
 - b. firms plan to produce more of a good if the price of that good increases, assuming all other influences do not change.
 - c. when the cost of producing a good increases, the supply for that good will increase.
 - d. both a and b are correct.
14. An increase in the demand for a good can be caused by
- a. a decrease in the taste for the good.
 - b. an increase in the price of a substitute good.
 - c. a decrease in the number of buyers in the market.
 - d. an increase in the price of a complementary good.

28. Implicit costs are the
- a. expenditures for resources which are not owned by the owner of the firms.
 - b. opportunity costs of the resources owned by the owner of the firms.
 - c. out-of-pocket expenses (bills) paid by the owner.
 - d. only a and c are correct.
 - e. choices a, b, and c are correct.
29. Marginal revenue is defined as
- a. the revenue received from selling one additional unit of output.
 - b. the revenue per unit of output.
 - c. total revenue divided by total output.
 - d. the change in total output divided by the change in total revenue.
30. In order to maximize total profit, a firm should produce up to the point where
- a. average revenue equals average cost.
 - b. average revenue equals marginal revenue.
 - c. marginal revenue equals average cost.
 - d. marginal revenue equals marginal cost.
 - e. none of the above.

31. When a purely competitive firm breaks even
- a. it will raise its price to increase profits.
 - b. it is earning an above-normal profit.
 - c. there will be an incentive for new firms to enter the industry.
 - d. there will be an incentive for existing firms to leave the industry.
 - e. none of the above.
32. Assume that the total explicit costs of a firm are \$330,000 and its total implicit costs are \$470,000. If the firm received total revenue of \$600,000, it would make an economic loss of
- a. \$20,000
 - b. \$60,000
 - c. \$100,000
 - d. \$200,000
33. Which of the following is associated with the long-run equilibrium conditions in the purely competitive market?
- a. $P = MC$
 - b. $P = \text{minimum } AC$
 - c. total economic profit = 0
 - d. only a and b are correct.
 - e. all of the above are correct.
34. The opposite end of the scale from pure monopoly is
- a. pure competition.
 - b. pure oligopoly.
 - c. monopolistic competition.
 - d. differentiated oligopoly.

35. If economic profits are being earned in a purely competitive market, in the long run firms will _____ the market and price will adjust until firms make _____ profit.
- a. leave, normal
 - b. enter, normal
 - c. leave, economic
 - d. enter, economic
36. Suppose that Tony's firm has total explicit costs of \$75,000 and total implicit costs of \$30,000 for the year. If his firm received total revenue of \$105,000. The firm would make a normal profit of
- a. \$10,000
 - b. \$22,000
 - c. \$30,000
 - d. \$75,000
37. Assume firms are just breaking even in a purely competitive market in the short run. If demand increases, we can expect the equilibrium price to _____ and output to _____ in the long run.
- a. increase decrease
 - b. decrease increase
 - c. remain constant decrease
 - d. remain constant remain constant
 - e. increase increase
38. Purely competitive firms have _____ control over price.
- a. no
 - b. slight
 - c. significant
 - d. complete

39. The average revenue of a pure monopoly is equal to
- a. marginal revenue.
 - b. price.
 - c. the change in total revenue divided by the change in output.
 - d. marginal cost.
40. Pure monopoly is characterized by one of the following:
- a. a small firm.
 - b. a differentiated product.
 - c. no barriers to entry.
 - d. price setter.

II. Short Essays (10 Points Each):

Instruction: Answer any three of the following questions.

1. Discuss the factors of production and the money income earned by each of the factors in detail.
2. Using a production possibilities model, draw and explain in detail the concept of present versus future satisfaction.
3. Discuss in detail why efficiency and equity are the two economic issues that society may not be able to achieve simultaneously. Give one example.
4. Discuss in detail the individual and market demand curves in pure competition and pure monopoly markets.
5. In class, we discussed that "only the purely competitive market will achieve the allocative and economic efficiencies. However, the monopoly market will not achieve the allocative and economic efficiencies." Explain in detail.

III. Problem Solving (15 Points Each):

Instruction: Solve all of the following problems.

1. The following table represents a purely competitive market structure for a product X:

<u>P</u>	<u>Qs</u>	<u>Qd</u>
\$ 60	100	500
70	200	400
80	300	300
90	400	200

- (a) Graph these market data.
- (b) What is the equilibrium price and quantity of product X?
- (c) Suppose that the price of product C, a substitute good for X, goes up. This causes the quantity demanded for product X to increase by 100 units at each price. Plot the new demand curve on your graph in (a), assuming the supply curve remains unchanged.
- (d) Given the original equilibrium price, what problem does the increase in demand create? Briefly explain how do you solve this problem.
- (e) What is the new equilibrium price and quantity of Product X?

2. The following represents the cost and revenue schedule for an individual firm in the pure competition market structure:

<u>Q</u>	<u>P</u>	<u>AC</u>	<u>TR</u>	<u>TC</u>	<u>PROFIT/LOSS</u>	<u>MR</u>	<u>MC</u>
0	--	--	\$ 0	\$70		--	--
1	\$45			95			
2				116			
3				144			
4				180			
5				225			
6				276			

- (a) Complete the above table.
- (b) In general, graph the position where $MR = MC$ and indicate the price (P), quantity (Q) and average cost (AC).
- (c) Does the firm make an economic profit or a normal profit or a loss? Briefly explain your reasoning.

Exam 2

Name : _____

I. Multiple Choice (2 points each):

Instruction: Circle the correct answer for each multiple choice question.

1. Inflation is defined as
 - a. change in one price relative to another
 - b. general rise in prices
 - c. point inside the production possibilities curve
 - d. none of the above
2. Unemployment is a concern because
 - a. production that is lost when resources are idle can never be regained
 - b. it is not shared equally
 - c. it is the primary cause of poverty
 - d. all of the above
3. An increase of the economic growth can be illustrated by a _____ the production possibilities curve.
 - a. point inside
 - b. movement along
 - c. outward shift of
 - d. inward shift of

4. In order to ensure that GNP is an accurate reflection of the amount of goods produced, _____ are included.
 - a. financial transactions
 - b. secondhand sales
 - c. only expenditures on final goods and services
 - d. transfer payments
5. Disposable personal income equals
 - a. GNP minus depreciation
 - b. net national product minus indirect business taxes
 - c. national income minus retained earnings minus social security contributions plus transfers
 - d. personal income minus personal taxes
6. Demand-pull inflation occurs when
 - a. increases in input costs lead to a higher level of average prices
 - b. aggregate supply is greater than aggregate demand
 - c. the price in one market rises relative to another market
 - d. none of the above.
7. Which of the following is not included in estimating the unemployment rate?
 - a. part-time employed
 - b. people working in jobs for which they are overqualified
 - c. discouraged workers who have quit looking for work
 - d. all of the above

8. Which of the following factors is not a determinant of autonomous consumption?
 - a. the age of the stock of durable goods
 - b. consumer expectations
 - c. income
 - d. the interest rate charged for consumer credit
9. Investment is assumed to be autonomous in the Keynesian model. This means that investment is independent of
 - a. the interest rate
 - b. income
 - c. government purchases
 - d. taxes
10. When GNP has reached equilibrium,
 - a. aggregate demand equals aggregate supply
 - b. unplanned investment is zero
 - c. savings equal planned investment
 - d. all of the above
11. The recessionary gap is where the
 - a. amount by which total demand falls short of full-employment GNP
 - b. amount by which AD exceeds full-employment supply
 - c. difference between equilibrium GNP and full-employment GNP
 - d. difference between AD and AS at equilibrium

12. The inflationary gap is where the
- a. amount by which total demand falls short of full-employment GNP
 - b. amount by which AD exceeds full-employment supply
 - c. difference between equilibrium GNP and full-employment GNP
 - d. difference between AD and AS at equilibrium
13. The income gap is where the
- a. amount by which total demand falls short of full-employment GNP
 - b. amount by which AD exceeds full-employment supply
 - c. difference between equilibrium GNP and full-employment GNP
 - d. difference between AD and AS at equilibrium

Questions 14 to 18 refer to the following table:

Given the Keynesian model (without government):

GNP	C	S	I_p	$C + I_p$
6,000	6,000	0	125	6,125
6,100	6,075	25	125	6,200
6,200	6,150	?	125	6,275
6,300	6,225	75	125	6,350
6,400	6,300	100	125	6,425
6,500	6,375	125	125	6,500

14. The Marginal Propensity to Consume is
- a. 0.025
 - b. 0.075
 - c. 0.75
 - d. 0.25
 - e. 75
15. The Marginal Propensity to Save is
- a. 0.025
 - b. 0.075
 - c. 0.75
 - d. 0.25
16. Suppose the actual GNP is \$6,300. The amount of unplanned investment is
- a. +\$ 50
 - b. +\$ 75
 - c. +\$125
 - d. -\$ 50
 - e. -\$ 75
17. The equilibrium level of GNP is
- a. \$6,100
 - b. \$6,200
 - c. \$6,300
 - d. \$6,400
 - e. \$6,500
18. If autonomous investment decreased by \$50 billion, then the new equilibrium level of GNP would be
- a. \$6,000
 - b. \$6,200
 - c. \$6,300
 - d. \$6,600
 - e. none of the above

19. Assume that there is an increase in autonomous investment by \$100 billion, and the Marginal Propensity to Consume is $1/2$. By how much will equilibrium GNP increase after the third round?
- a. \$ 75
 - b. \$100
 - c. \$150
 - d. \$175
20. If the MPC increases, the MPS _____ and the income multiplier _____.
- a. increases decreases
 - b. decreases increases
 - c. decreases decreases
 - d. increases increases
21. Fiscal policy refers to the
- a. control of aggregate demand through changes in government purchases, taxes, and transfers
 - b. control of aggregate demand through changes in the money supply
 - c. use of manpower programs
 - d. none of the above
22. Currency is composed of
- a. coins
 - b. paper money
 - c. coins and paper money
 - d. demand deposits

23. If the government wanted to eliminate a inflationary gap using fiscal policy, it should
- a. increase taxes, increase transfers, or increase government purchases
 - b. decrease taxes, increase transfers, or increase government purchases
 - c. decrease taxes, decrease transfers, or increase government purchases
 - d. increase taxes, decrease transfers, or decrease government purchases
24. The definition of money used most frequently is
- a. M0
 - b. M1
 - c. M2
 - d. L
25. If the government wanted to eliminate a recessionary gap using fiscal policy, it should
- a. increase taxes, increase transfers, or increase government purchases
 - b. decrease taxes, increase transfers, or increase government purchases
 - c. increase taxes, decrease transfers, or increase government purchases
 - d. decrease taxes, increase transfers, or decrease government purchases

26. The most important function of the Federal Reserve is to
- a. control the money supply
 - b. act as a clearinghouse for checks issued by commercial banks
 - c. issue new paper money to replace worn-out bills
 - d. act as the bank for the federal government in its transactions
27. If the reserve requirement increases, the money multiplier will
- a. increase
 - b. decrease
 - c. remain the same
 - d. none of the above
28. In order for the money supply to increase by its maximum potential
- a. people receiving funds must be unwilling to deposit them into their bank deposits
 - b. people must be unwilling to borrow from banks
 - c. banks must be willing to make loans rather than holding excess reserves
 - d. banks must be willing to hold some excess reserves
29. All of the following are monetary tools except
- a. open market operations
 - b. government purchases
 - c. the reserve requirement
 - d. the discount rate

30. If the Federal reserve wanted to eliminate an inflationary gap, it would
- a. raise the discount rate, sell U.S. securities, and increase the reserve requirement
 - b. lower the discount rate, sell U.S. securities, and increase the reserve requirement
 - c. raise the discount rate, buy U.S. securities, and increase the reserve requirement
 - d. raise the discount rate, sell U.S. securities, and decrease the reserve requirement

II. Short Essays (10 points each):

Instruction: Answer any four of the following questions

1. (a) Briefly discuss the three major problems which macroeconomics attempts to deal with.
(b) Briefly differentiate between the four types of unemployment
(c) Draw and discuss the phases of the business cycle.
2. Discuss in detail, in your own words, the basic idea behind the Classical economics and Keynesian revolution.
3. Discuss in detail, why a \$1 billion decrease in taxes will not have the same impact on equilibrium GNP as a \$1 billion increase in government purchases.
4. (a) Briefly describe the three functions of money.
(b) Briefly describe how each of the following would change the money supply:
 - i) a decrease in the discount rate
 - ii) a decrease in the reserve requirement
 - iii) the Fed's sale of the U.S. securities in the open market.
5. Draw a diagram of AS model and describe in detail the horizontal, intermediate, and vertical ranges of the aggregate supply curve.

Final Exam

Name: _____

I. Multiple Choice (2 points each):

Instruction: Circle the correct answer for each multiple choice question.

1. An increase in labor will
 - a. shift the production possibilities curve inward.
 - b. shift the production possibilities curve outward.
 - c. have no effect on the production possibilities curve.
 - d. force a movement along a given production possibilities curve.
2. If the price of tennis rackets decreases, the
 - a. quantity demanded for tennis rackets will decrease.
 - b. demand for tennis balls will decrease.
 - c. both a and b are correct.
 - d. none of the above are correct.
3. Demand for normal good will increase if
 - a. income increases.
 - b. income decreases.
 - c. the price of this good decreases.
 - d. both b and c are correct.

The next two questions refer to the following table, which illustrates the production possibilities of an economy.

<u>Public Goods</u>	<u>Private Goods</u>
75	0
60	30
45	50
30	65
15	75
0	80

4. If the economy were producing 45 units of public goods and 50 units of private goods,
- a. it is using its resources to their fullest extent.
 - b. this country must have suffered a decrease in the amount of resources available.
 - c. technology must have improved, which enables this country to produce more of both goods.
 - d. it is experiencing unemployment.
5. The opportunity cost of increasing the production of public goods from 15 to 45 units is _____ units of private goods.
- a. 10
 - b. 15
 - c. 25
 - d. 50
 - e. 65

6. Which of the following combination is an example of complementary goods?
- a. coffee and tea.
 - b. hot dog rolls and hot dogs.
 - c. ballpoint pens and Diet Coke.
 - d. Big Macs and coupon.
7. Which of the following combinations is an example of substitute goods?
- a. camera and films.
 - b. computer and printer.
 - c. Golf club and golf balls.
 - d. all of the above are correct.
 - e. none of the above are correct.
8. An increase in the supply of potatoes and a decrease in the demand for potatoes would cause the equilibrium price of potatoes (P) and the equilibrium quantity (Q) to change in the following manner:
- a. increase P , decrease Q .
 - b. increase P , the change in Q is uncertain.
 - c. increase P , increase Q .
 - d. decrease P , the change in Q is uncertain.
 - e. decrease P , decrease Q .
9. Underemployment can be described as a
- a. change in one price relative to another
 - b. general rise in prices
 - c. point inside the production possibilities curve
 - d. none of the above

10. Which of the following is associated with the long-run equilibrium conditions in the purely competitive market?
- a. $P = MC$
 - b. $P = \text{minimum } AC$
 - c. total economic profit is greater than zero
 - d. only a and b are correct.
 - e. all of the above are correct.
11. The major problems with which macroeconomics attempts to deal are:
- a. unemployment
 - b. inflation
 - c. increasing economic growth
 - d. all of the above
12. If an increase in income causes the demand for good X to decrease, then good X is a(n)
- a. inferior good.
 - b. complementary good.
 - c. normal good.
 - d. substitute good.
13. Unemployment is a concern because
- a. production that is lost when resources are idle can never be regained
 - b. it is shared equally
 - c. it is the minor cause of poverty
 - d. all of the above

14. In order to ensure that GNP is an accurate reflection of the amount of goods produced, _____ are included.
- a. financial transactions
 - b. secondhand sales
 - c. expenditures on intermediate and final goods and services
 - d. none of the above
15. Disposable personal income equals
- a. GNP minus depreciation
 - b. net national product minus indirect business taxes
 - c. national income minus retained earnings minus social security contributions plus transfers
 - d. personal income plus personal taxes
 - e. none of the above
16. When GNP has reached equilibrium,
- a. aggregate demand equals aggregate supply
 - b. unplanned investment is zero
 - c. savings equal unplanned investment
 - d. all of the above
 - e. only a and b are correct
17. Assume that there is an increase in autonomous investment by \$100 billion, and the Marginal Propensity to Consume is $\frac{3}{4}$. By how much will equilibrium GNP increase after the third round?
- a. \$100.75
 - b. \$211.25
 - c. \$150.50
 - d. \$175.00
 - e. none of the above

21. The most important function of the Federal Reserve is to
- a. act as a clearinghouse for checks issued by commercial banks
 - b. issue new paper money to replace worn-out bills
 - c. act as the bank for the federal government in its transactions
 - d. control the money supply
22. If the reserve requirement decreases, the money multiplier will
- a. increase
 - b. decrease
 - c. remain the same
 - d. none of the above
23. Pure monopoly is characterized by all of the following except:
- a. a single firm
 - b. an unique product
 - c. complete barriers to entry
 - d. price taker
 - e. none of the above
24. The average revenue of a pure monopoly is equal to
- a. marginal revenue
 - b. price
 - c. the change in total revenue divided by the change in output.
 - d. marginal cost

25. A pure monopolist sets price
- a. equal to marginal cost
 - b. equal to marginal revenue
 - c. as determined by the demand curve at the level of production where marginal revenue equals marginal cost
 - d. none of the above
26. The horizontal range of the Aggregate supply curve (AS/AD model) represents the situation in which the economy is experiencing significant
- a. inflation
 - b. stagflation
 - c. unemployment
 - d. none of the above
27. When the intermediate range of the AS curve is reached (AS/AD model), a further increase in production
- a. results in a rise in the level of prices
 - b. causes more and more firms to experience bottlenecks
 - c. reduces unemployment
 - d. both A and B
 - e. all of the above

28. The AS/AD model shows that an increase in production costs causes firms to
- a. produce more, which shifts the AS curve outward to the right
 - b. produce less, which shifts the AS inward to the left
 - c. raise the prices of their products
 - d. both A and C are correct
 - e. both B and C are correct
29. The economy is in a depression when there is
- a. demand-pull inflation
 - b. premature inflation
 - c. extremely high unemployment
 - d. both A and B.
30. The AD curve indicates that the quantity of goods demanded decreases in the overall economy as
- a. production increase
 - b. the level of prices increases
 - c. the money supply increases
 - d. both A and B

II. Short Essays (10 Points Each):

Instruction: Answer any two of the following questions.

1. Briefly discuss the following economic concepts:
 - (a) Macroeconomics and microeconomics
 - (b) Positive and normative economics
 - (c) Efficiency and equity
 - (d) Nominal and real GNP
 - (e) Frictional and cyclical unemployment
2. Briefly discuss the following economic concepts:
 - (a) The four phrases of the business cycle.
 - (b) The classical economics and Keynesian revolution.
 - (c) The circular flow model.
 - (d) Explain why a \$1 billion decrease in taxes will not have the same impact on equilibrium GNP as a \$1 billion.
3. Describe the impact of innovation on the production of consumer goods (assuming no change in the method of producing capital goods), using the PP model to explain your answer. If the economy were to remain at a point that is on the original PP curve, what economic problem(s) would be created? Why? Explain in detail.
4. How will an increase in the price of gasoline affect the demand for gasoline? How will the demand for large and small cars be affected by this increase in the price of gasoline? Use graph(s) to illustrate your answers.

III. Problem Solving (10 Points Each):

Instruction: Solve all the following problems.

1. The following table represents a purely competitive market structure for a product X:

<u>P</u>	<u>Qs</u>	<u>Qd</u>
\$ 30	50	250
35	100	200
40	150	150
45	200	100

- (a) Graph these market data.
- (b) What is the equilibrium price and quantity of product X?
- (c) Suppose that the price of product C, a substitute good for X, decrease. This causes the quantity demanded for product X to decrease by 50 units at each price. Plot the new demand curve on your graph in (a), assuming the supply curve remains unchanged.
- (d) Given the original equilibrium price, what problem does the decrease in demand create? Briefly explain how do you solve this problem.
- (e) What is the new equilibrium price and quantity of Product X?

2. The following represents the cost and revenue schedule for an individual firm in the pure competition market structure:

<u>Q</u>	<u>P</u>	<u>AC</u>	<u>TR</u>	<u>TC</u>	<u>PROFIT/LOSS</u>	<u>MR</u>	<u>MC</u>
0	--	--	\$ 0	\$70		--	--
1	\$28			95			
2				116			
3				144			
4				180			
5				225			
6				276			

- (a) Complete the above table.
- (b) In general, graph the position where $MR = MC$ and indicate the price (P), quantity (Q) and average cost (AC).
- (c) Does the firm make an economic profit or a normal profit or a loss? Briefly explain your reasoning.

FINDLAY

THE UNIVERSITY OF FINDLAY

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The Division of Business Administration

May 6, 1992

Mr. Kang Lang Lee
333 Frazer St.
Findlay, OH 45840

Dear Kang:

As the semester and school year draw to a close, I would, once again, like to take this opportunity to thank you for your teaching efforts on behalf of The University and the Division of Business Administration. It would be very difficult for us to meet the increasing demand for staffing without competent, reliable adjunct faculty like yourself.

I hope that this semester has gone well for you and your students, and that you are willing to work with us again as the need arises.

As always, many thanks for your teaching efforts on our behalf.

Have a safe and enjoyable summer!

Sincerely,



Peter Maldonado, Ph.D., CPA
Chairman
Division of Business Administration

PM:kb

FINDLAY

THE UNIVERSITY OF FINDLAY

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The Division of Business Administration

September 21, 1992

Wright State University
Dayton, OH

To Whom It May Concern:

This letter is to verify that Mr. Kang Lang Lee has been a part-time instructor for the Division of Business Administration at The University of Findlay.

Mr. Lee has taught for us for three semesters. He has done a fine job and got very good evaluations.

Courses taught by Mr. Lee during those three semesters included: Principles of Economics, Managerial Economics, Principles of Macroeconomics, and Introduction to Economic Thinking.

Sincerely,



Peter Maldonado, Ph.D., CPA
Chairman
Division of Business Administration

/kb